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THE STUDIES ON BORN GLOBAL COMPANIES – A REVIEW OF RESEARCH METHODS

Abstract

Since the 1990s a dynamic stream of research in the field of born global companies (in short: BG) could be observed. Initially the main subject of this research were the establishing premises and foreign market strategies of BG, whereas at present the focus has shifted to the later stages of the born globals' development.

The aim of this paper is the review of methods adopted in the international research on born globals as well as presenting the methodology used by the authors in the research of Polish BG. In international research the case study method, including the use of in-depth interviews, is widely used by many authors. This approach is sometimes joined with the application of quantitative methods. In the presented study the primary data has been obtained through individual interviews. Transcripts of the interviews have undergone a procedure of content analysis, within which a system of categories has been developed, allowing the assessment of the meaning and relationships between the particular concepts.

Keywords: *born globals, research methods review, research methodology concept*

Introduction

The enterprises, mostly small and medium ones, which start being active internationally from inception and later instantly seek to derive significant competitive advantage from the export to multiple countries, are defined by authors investigating the topic of internationalization, i.a. as *born globals*, *international new ventures, born internationals* or *export start-ups* (Knight et al., 2004; Duliniec, 2011 a, b). The "Born Global Model" of internationalization, which has been known for two decades, was coined in a survey conducted for The Australian Manufacturing Council by the consultants of McKinsey (Rennie, 1993; McKinsey & Co., 1993). It assumes that the firm should be internationalized in the first three years from establishment; it should enter culturally distant foreign countries and regions and achieve at least a 25 percent share of its total turnover through exports during this period. The management of such firms should demonstrate an international outlook and constantly focus on their customers and emphasize marketing competence as well as offer high quality, differentiated products (Knight et al., 2004, p. 647).

The stream of research on the born global companies has been developing dynamically since the 1990s. The emergence of born globals (in short: BG) in large numbers is a key trend and still more research is needed to understand their strategies and reasons for their international success (Knight et al., 2004, p. 661). Initially their establishing premises, market strategies, success factors and development threats have been studied (Oviatt and McDougall, 1994; Knight and Cavusgil, 1996; Madsen and Servais, 1997), while now the focus is on later stages of development (Zhang, Larimo, 2011) and on entering the path of so called rapid internationalization by "traditional" SMEs (Kalinic, Forza, 2011).

Both the terminology and the research methodology concerning these enterprises are very diverse. This paper is aimed at reviewing the methods adopted in the international research on the born globals and at presenting the methodology used in our study of the Polish firms. The reason for choosing this topic is, that there are still few projects concerning the Polish early internationalized enterprises, published in the international literature (e.g. Cieślik, Kaciak, 2009; Danik et al., forthcoming), and there is still ongoing discussion which research methods can and should be applied in the CEE countries.

1. Methods used abroad to study the born global firms

The methodology used for studying the born global firms, presented in the international literature is not novel, compared to methods applied in other projects concerning the small and medium sized enterprises. It comprises of primary research including the qualitative (case study, interview) and quantitative (survey) methods and secondary research, based on the available statistical data. However, it seems that qualitative methodology, and especially the case studies, have been favored by researchers in order to explore the motivations behind small firm internationalization, and to explore the environmental context of their decisions (Evers, 2010).

1.1. Case studies

At the stage of the born global model development and expansion and in the situation where there was little previous research available, many scientists have started using a multiple case-study approach for researching the born global internationalization. This methodology is useful in the research contexts where previous theory seems inadequate or incomplete and a deeper theoretical development is required (Eisenhart, 1989).

For example Rialp et al. (2005, p. 142) have used in-depth interviews applying semi-structured questionnaires with the founders/senior managers having the greatest influence on decision-making processes in the early internationalising firms. The additional information sources were: notes of the second interviewer who was less involved in conducting the interviews, websites of the studied companies, in-company documentation, materials presenting the product range and other secondary data. A similar approach was used by Rasmussan et al. (2001) to study the born global companies in Denmark and in Australia. These authors conducted semi-structured interviews with managers, and supplemented them with secondary data from brochures, newspapers, internet home pages and accounts. They used a modified version of “grounded theory” to analyze the data, coding from the interviews, using the expressions of the respondents and then merging the codes into larger groups of families.

Gabrielsson et al. (2008, p. 387) in their analysis of case studies of the born global firms from four countries, also began with conducting in-depth interviews with the most knowledgeable managers at born global firms, who were in charge of the foreign market operations. During the interviews semi-structured questionnaires were used. Transcripts of the interviews were sent to their participants soon after they took place. Occasionally they had additional meetings in order to clarify some issues. The researchers analysed also in-company documents and company archives simultaneously to all of the above stages.

Zhang and Larimo (2011) also applied the case study method to research the internationalization process of Chinese companies. Three companies fulfilling the criteria of early internationalizing firms with similar number of employees and similar turnover were selected. The structured questionnaires containing questions about the internationalization were sent to their founders. In the second stage in-depth interviews lasting 3.5-5 hours with a few persons from every company were held. The interviewed persons were both the company founders and the sales managers to guarantee the objective evaluation of the internationalization processes. In all cases secondary data concerning the export level, turnover and profits were collected both from the internal and external sources.

A different example of this research approach refers to five knowledge intensive service firms from India (different sizes and numbers of employees). First stage comprised 38 unstructured interviews with project managers, human resource managers, employees (engineers) and customers. These reports were then further sent back to the interviewees of the respective case companies, allowing them to comment. The interviews in a second round were semi-structured and done over the telephone and Skype. The interviewees received a set of open-ended questions that probed the underlying reasoning in the different stages of their firm's evolution. At that stage, the interviews were complemented with a more structured text-based analysis of the customer experience cases reported by the five case firms in order to provide further validation of the interpretation. In addition 33 press releases covering the most active parts of the firms' histories were selected. These press releases were coded according to provided management's reasoning and to the operational capability areas. In the final stage the interrelationships between managers' reasoning, the actions of the firms and the relationships with clients were uncovered (Kumar and Yakhlev, 2011).

1.2. Quantitative research on representative samples

This type of research projects concerning early internationalizing firms started being conducted about two decades ago in the developed countries, mainly in Scandinavia, the USA and Australia. In a longitudinal study (1985-93) of 948 newly established firms in Denmark, Christensen and Jacobsen (1996) reported that a rising number of these firms began exporting within their first years of existence. These authors conclude (p. 7) that different firms have different routes to internationalization "based on differences in established contacts and knowledge acquired prior to the initiated new business". Market knowledge; the personal network of the entrepreneur; international contacts; experience transmitted from former occupations, relations, and education are examples of such international "assets" obtained before the birth of the firm.

In 1993 the McKinsey company together with The Australian Manufacturing Council conducted a research on a representative sample of 300 small and medium Australian manufacturing firms, which recently started their export activities and developed systematically (Rennie, 1993). As a result the researchers selected a group of companies from different industries, which began exporting on average two years after their inception and developed dynamically. These companies, accounting for ¼ of the companies under research, were qualified as born globals. It was stated, that the source of their competitive advantage is mainly superior quality and value offered at a competitive price. It was also stated, that about 20% of the new trade (export) growth in Australia came from the born global SME's.

A vast comparative research of the manufacturing born globals companies was conducted by Knight et al. in Denmark and USA in 2002-3 (Knight et al., 2004). 186 American and 106 Danish companies selected at random from the government exporter databases took part in this research. The research was preceded with individual interviews in 32 companies, on the basis of which hypotheses and a questionnaire for the qualitative research with use of 7-point Likert scales were elaborated. The research revealed, that the Danish born globals generate about 71% sales from export, and the American ones – 47%. Danish companies sell their products mainly on the European markets, and the American ones – on more diverse markets. Product quality and to some extent marketing competence and product differentiation are the key factors to international success of USA BG. For the Danish firms only the marketing competence is strongly associated with international success, among the strategy factors studied. Thus, marketing competence appears to be the key factor driving international performance in both types of firms.

1.3. Research based on secondary data

Some research basing only on secondary data can also be found in the literature on the born globals. One example is the Canadian research, in which the data of 1959 manufacturing companies were analyzed to compare the survivability on the export market of the born global companies and the companies, which were internationalized according to Uppsala model (Sui, 2011). The source of data was a unique longitudinal (1997-2005) data set constructed by linking administrative databases from Statistics Canada (3 sources: Exporter Register (ER), Business Register (BR) and Longitudinal Employment Analysis Program (LEAP).

In this study a firm was classified as a born global if it has started to export within two years of its inception and has exported no less than 25% of its revenue during the first year of its export activity (497 companies). A duration analysis with a two-stage estimation strategy was used to investigate the export market survival patterns of companies in the sample. As a result it was found that being born global has a significant negative impact on the survivability of firms in the export market. After accounting for the self-selection associated with a firm's choice on its internationalization process, however, being born global no longer affects firm's survival in the export market. These results suggest that the born global is a strategic choice for a particular group of young firms that appear to be relatively small and less productive at the founding of the company. Such firms would have a less chance of survival in the export market if they have chosen the traditional gradual internationalization process.

The next example of the research basing on the secondary data is a ten-year longitudinal analysis of almost 19,000 Polish manufacturing firms engaged in export operations, which was conducted by Cieślik and Kąciak. The data of the exporters were provided by the Foreign Trade Data Centre (FTDC), a public organization compiling export sales of all Polish exporters engaged in commodity trade. In this case export dynamics was measured by the rate of growth, consistency of export sales and survival in international operations. It was found that early involvement in international activities negatively affected the survival and regularity of sales of small exporters but that had a positive impact on larger exporters. A strong commitment to internationalization and a capacity for managing rapid growth are factors in achieving high growth in international sales over time (Cieślik and Kąciak, 2009; Kąciak et al., 2010).

The research projects of this type are feasible only on mature markets, with reliable and detailed databases concerning all the exporters that had been collected for a long time.

2. Research on the Polish early internationalizing firms – methodology*

A review of the Polish research conducted so far on the early internationalizing firms by Jarosiński shows, that the early internationalization phenomenon relates also to the Polish companies, and the born globals began to emerge in Poland already in 1990s (Jarosiński, 2012 a,b). However, the research projects done so far in Poland were based mainly on qualitative methods and none of them concerned more than 50 BG.

The presented research comprising the individual interviews in 10 small and medium companies was conducted in the second half of 2011 and at the beginning of 2012. The aim of study was to describe the beginnings of internationalization; characterize the general traits of the company founders, as well as elements of market strategies followed by these companies. In the study, similar as in previously quoted works, a judgmental sampling technique was used, as it gives the possibility to choose objects according to their certain characteristics which are interesting for the researcher. In judgmental sampling the population is chosen for the study, based on the knowledge, that it fulfills the study goals (Silverman, 2008, p. 272; Kędzior, 2005, p. 81). Therefore in our study the companies were at first identified from accessible databases of exporters based on the following criteria: small and medium-sized companies, established at least 15 years earlier, the share of turnover from export sales in the total sales amount – at least 25%, outward internationalization (not internationalization by import). The companies were representatives of different industry branches (both high-tech, and low-tech) and they were mainly located in the central Polish region of Mazovia (see Table 1).

* The research, directed by prof. dr hab. E. Duliniec, was conducted as a statutory project in the Institute of International Management and Marketing, Collegium of the World Economy, Warsaw School of Economics. The results of our study will be presented in the forthcoming papers.

Due to the fact that the study was aimed at finding out the managers opinions about the internationalization processes and accompanying factors, the respondents chosen for the study were company founders/senior managers (9 people) or marketing and sales managers in the foreign markets (1 person).

Table 1. Characteristics of the studied companies

Respondent's code	Year of founding	Location	Industry	Number of employees	Annual turnover (Million Euro)
R1	1989	Greater Poland	MICE	10-49	2-10
R2	1998	Mazovia	production of fruit and vegetable preserves	1-9	2-10
R3	1993	Mazovia	IT (software production and licensing)	50-249	0-2
R4	1990	Mazovia	yacht production and charters	over 250[a]	10-50
R5	1990	Mazovia	chemical industry (artificial fibers production)	109	2-10
R6	1992	Mazovia	book winding	50-249	2-10
R7	1990	Mazovia	ceramics production	1-9	0-2
R8	1990	Mazovia	MICE	10-49	2-10
R9	1998	Lubelskie	organic food production	10-49	2-10
R10	2010	Mazovia	international forwarding services	1-9	0-2

[a] The company engages up to 500 employees in the high season.

We gathered qualitative data for our study using semi-structured individual interviews. Such interviews are conducted with a fairly open framework, which allows for focused, conversational, two-way communication. They can be used both to give and receive information. Unlike the questionnaire framework, where detailed questions are formulated ahead of time, semi-structured interviewing starts with more general questions or topics (Aubert, 2008). Here, interviewees were asked first about the beginnings of the companies and the beginnings of their professional careers. An interview guide was used, which provided a framework for semi-structured interviewing. In line with Miles and Huberman (2000), all the themes mentioned in this guide were extracted from the literature concerning the internationalization of companies.

The interviews (apart from one) were carried out in the company headquarters, they lasted up to 60 min, they were recorded in a digital form and later transcribed. As a result ca. 100 pages of transcript were obtained[1]. In two cases, due to difficulties in arranging a direct interview, a combination of telephone interview and internet survey was used as method of data gathering.

[1] Font No. 12, single line spacing.

In the semi-structured interview guide some questions were open topics for discussion, as in the individual depth interviews. This method is especially suitable for situations when it is necessary to get information from professionals, subject-matter experts, and in conducting research concerning the B2B market (Malhotra, 1999, p. 160). Therefore elements of this method were used in order to deepen the knowledge concerning the companies' beginnings and triggers for their internationalization, the importance of various motives for internationalization, and the sources of companies' successes abroad. In addition to the qualitative part of the interview guide, there was a structured part, concerning mainly the company characteristics (size, amount of turnover, etc.) and the destinations of expansion.

The analysis of qualitative study results should consist of two parallel tracks: on one hand it is necessary to adopt a well-known, traditional interpretative approach to data analysis used e. g. in marketing research. On the other hand it should be supplemented by elements of content analysis, which ensures a systematic analytical approach and a possibility to verify the formulated results (Perek-Białas and Worek, 2003, p. 97).

The quantitative content analysis used in researching the messages' content is based on dividing the communication pieces into smaller elements (units of analysis) or describing their characteristics and later classifying them in accordance with an established category scheme (Silverman, 2008, p. 108). The key element of the content analysis is to establish a set of categories, precise enough to make different coding procedures lead to the same results on a given material which is under study (e.g. press releases, narrative materials). In this way special attention is attached to the reliability of used measures which guarantees that different researchers will use them in the same way, and to the validity of results obtained by precise counting of used words or expressions (Silverman, 2008, p. 108). When conducting quantitative analysis of text messages, the frequency of concepts appearance is counted, and the sequence of individual words, expressions or concepts is analyzed. Whereas, in qualitative content analysis, the need of taking into consideration not just the concepts, but the relations between them (the concept network) is emphasized (Mayring, 2000).

According to the literature (Malhotra and Birks, 2006, ch. 9; Srnka and Koeszegi, 2007), in the preliminary stage of content analysis a coding procedure is carried out. A code is a label attached to a unit of text, which can describe a single sentence, statement, or sequences of statements. The key condition which should be met is to create a system of precise codes or categories, so that various coding systems could lead to the same results concerning the material which is studied (Silverman, 2008). In our study at first the codes were assigned to categories established from literature review. This approach is in line with Miles and Huberman's deductive procedure, which recommends creating a start list of codes based on a conceptual framework (Miles and Huberman, 2000). Later the category scheme was supplemented with new categories, based on the content of respondents' statements concerning e.g. the influence of transformation on internationalization, or concerning their personal traits, which is in line with the deductive approach. The category creation process was repeated several times, by three coders, to make the initial categories more precise and to divide them into subcategories – i.e. units containing smaller amount of content (Srnka and Koeszegi, 2007). As a result a set of hierarchically ordered 12 main categories and 70 categories were obtained.

Later the categories were identified in the transcripts of interviews, and the relevant codes were assigned to the units of content. In order to evaluate the importance of categories and subcategories, the frequency of their occurrence (citations) was calculated. As a result of the first coding round, performed by 3 coders experienced in the field of international marketing, an *intercoder consistency matrix* (Srnka and Koeszegi, 2007, p. 38) was prepared (see simplified version in Table 2).

Table 2. Intercoder consistency matrix

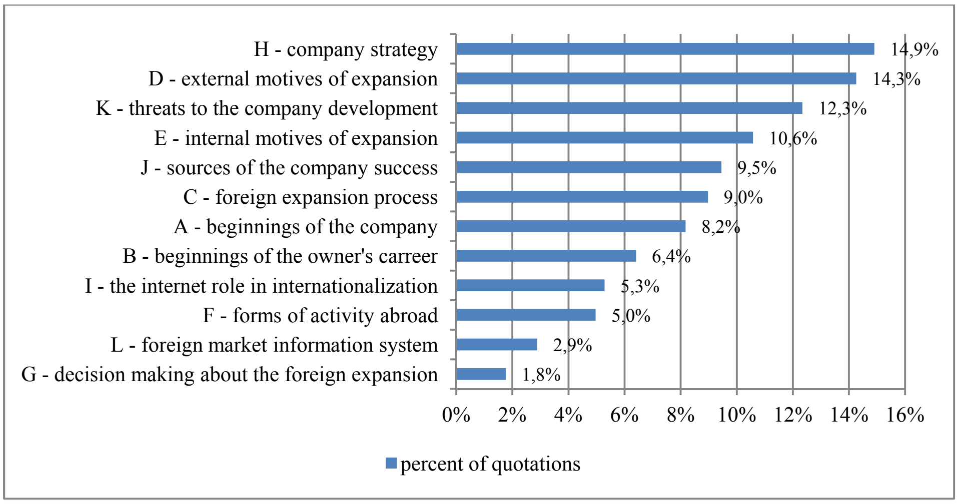
Categories of content	**Beginnings of the company – A**		**Beginnings of the owner's career – B**		**Foreign expansion process – C**		**External motives of expansion – D**		**Internal motives of expansion – E**		**Forms of activity abroad – F**		**Decision making about the foreign expansion – G**		**Company strategy – H**		**The Internet role in internationalization – I**		**Sources of the company success – J**		**Threats to the company development – K**		**Foreign market information system – L**	
Coder	I	II	I	II	I	II	I	II	I	II	I	II	I	II	I	II	I	II	I	II	I	II	I	II
Total citation count	16	68	28	39	37	44	59	81	37	56	24	30	9	10	60	72	20	32	38	60	52	66	16	16
Percentage of compliance	23.5		71.8		84.1		72.8		66.1		80		90		83.3		62.5		63.3		78.8		100	

The analysis of the consistency matrix has shown major discrepancies in the frequency of statements coded under categories A, E, J. Therefore the subcategories belonging to main category A „beginnings of the company" and E „internal motives of expansion" were made more precise and a new subcategory „sales objectives" was added. In addition, the way of coding the external motives of expansion present in the pre-defined list was modified.

The analysis also showed that some statements relating to the main category H1 „elements of competitive advantage" were assigned by one of the coders to category J „sources of the company success" and the second coder assigned these quotations as elements of competitive advantage. Therefore the definitions of categories H and J were made more precise, and the rules for coding statements of this type were established. In addition, the new subcategories: "operating in a niche market", "offering high quality for a good price" and "following the clients suggestions" were added (see appendix). In this phase of analysis also the rules regarding division of messages' content into separate units of meaning were made more precise. Finally the next coding round was carried out, and a database containing 631 quotations was obtained. This database was later used to perform the frequency analysis. The frequency of occurrence of citations was calculated in order to evaluate the importance of categories and subcategories. This approach is based on the assumption that the repetition of words or expressions reveals the centers of interest and the preoccupations of the actors (Thiétart, 1999; Aubert, 2008).

In Figure 1 the main categories established during content analysis are presented. They appear in the descending order, i.e. from the most frequently cited to the least frequently cited by the respondents. The frequencies of citations were calculated by dividing the total number of citations belonging to a category by the total number of all counted citations.

Figure 1. Main categories assembled according to their importance



The next stage of our study concerned the further detailed analysis of subcategories of the interviews content. Based on the results we were able to draw conclusions regarding the sensemaking and networking processes in the studied firms and regarding the foreign market entry motives, which will be presented in another study.

Conclusions

The review of research methods applied to the early internationalizing firms abroad reveals that the multiple case study method is widely used by many authors. It is used both to assess the early and later stages of the born globals' internationalization processes. In the further steps of analysis the quantitative research on representative samples is usually conducted or secondary data from government statistical databases are processed.

In this article we have presented an example of the methodology of research applied in the qualitative study of the Polish born global firms. The advantage of this method is the possibility to draw in-depth conclusions about the beginnings (often during the time of systemic transformation) of the born globals in Poland. We have also presented detailed instructions related to applying content analysis to the material obtained from individual interviews with company managers. We consider this method to be a useful tool in analyzing the processes related to beginnings of internationalization of the Polish SMEs.

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Appendix. The category structure used for the content analysis

Main category	Category
Beginnings of the company – A	reason for establishing the company
	co-founders
	other circumstances connected with establishment (history of the company before export)
	direct trigger of international expansion
Beginnings of the owner's career – B	higher education major
	role models in the family and environment
	professional experience before establishment of the company
	experience of cooperation with abroad
Foreign expansion process – C	share of export in total sales value
	target markets
	abandoned markets (reasons for withdrawing)
External motives of expansion – D	geographical closeness
	small cultural distance
	new opportunities for doing business after Poland's accession to the EU
	globalization of markets and increased competitive pressure
	possibility to enter the network of TNC’s cooperators
	incentives for small exporters created by the government
	too small domestic market
	industry specificity
	other external motives
	influence of systemic transformation
	higher market potential and pricing level abroad
	favourable conditions of doing business abroad (e.g. ethical, legal)
Internal motives of expansion – E	unique knowledge connected with specific foreign markets
	experience of the management in international business
	company organizational culture fosters active seeking of new opportunities in foreign markets
	management’s orientation on personnel development
	unique competitive advantage concerning technology
	founder's personality (dynamic personality, internal drive to break into foreign markets, “managerial urge”)
	personal relations network
	other, e.g. holding shares in companies, clusters, receiving funds from investment funds
	sales objectives
Forms of activity abroad – F	export
	FDI
	licencing
	joint venture
	sales offices
	concluding a franchising agreement
	strategic alliance
	other forms
Decision making about the foreign expansion – G	decisions are made by the owner/management
	decisions are made by business partners/shareholders
Company strategy – H	elements of competitive advantage
	market strategy – summary
	differences between strategies used on different markets
The Internet role in internationalization – I	presenting the offer on a website
	correspondence with clients (including making offers)
	searching for market-related data
	other

appendix contd.

Success sources – chances for expansion –J	strategic plans for development of the company activity abroad
	belonging to a network of TNC suppliers
	unique competencies derived from prior market knowledge
	ability of quick response to the new opportunities emerging in the international environment
	ethical business conduct
	experience of the managerial staff on the international market
	operating in a niche market
	offering high quality for a good price
	following the clients suggestions
	other success factors
Threats to expansion – K	lack of financing
	"brain drain" by TNCs
	lack of possibilities to explore specialist knowledge about new tendencies on global market
	lack of sufficient knowledge about changes in a unique niche the firm has operated in
	language barrier
	errors in managing the company
	too low domestic market potential
	lack of government support
	economic crisis
	political instability and bureaucracy
	exchange rate fluctuations/currency instability
	lack of customers' trust
	other threats
Foreign market information system – L	company has a MIS
	company doesn't use a MIS